

**ANNUAL REPORT  
2004-2005**

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**HIRA FERRO ALLOYS LIMITED  
RAIPUR (C.G.)**

**OPSinghania & Co.**

CHARTERED ACCOUNTANTS

199-A, SAMTA COLONY, RAIPUR -492001(C.G.) INDIA

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**AUDITORS' REPORT**

To  
The Members of  
HIRA FERRO ALLOYS LTD.

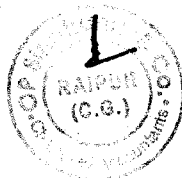
1. We have audited the attached Balance Sheet of HIRA FERRO ALLOYS LTD. as at 31st March 2005, the Profit and Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;



- (v) On the basis of written representations received from the directors, as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to note no. 3 of Schedules "S" regarding non-provision of agreed additional liability towards arrears of power charges of Rs.93.31 lacs (P.Y. Rs.100.35)*, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2005;
- (b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

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For OPSinghania & Co.  
Chartered Accountants



*[Signature]*  
(SANJAY SINGHANIA)  
PARTNER  
Membership No.76961

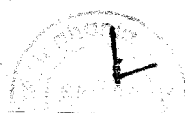
Place : Raipur  
Date : 30<sup>th</sup> May, 2005

## Annexure

Re: HIRA FERRO ALLOYS LIMITED

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was not any disposal of fixed assets during the year, therefore the question of affecting the going concern status of the company does not arise.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The company has not taken/granted any loans from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, therefore, the provisions of clause 4(iii)(a) to 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements with the aforesaid parties as stated in v (a) of clause 4 with whom transactions exceeding the value of Rupees five lakhs during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed thereunder, directives issued by the RBI, wherever applicable, with regard to the deposits accepted during the year.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the accounts and cost records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained, however, we have not made a detailed examination of the same.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education & protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues applicable to it and according to the information and explanations given to us, no undisputed amounts payable in respect of above statutory dues were in arrears as at 31st March, 2005 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues outstanding of sale tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute other than the following:-

Name of the Statute	Nature of Dues	Amount Rs. in Laacs	Forum where dispute is pending
C.G. Commercial Tax Act, 1994	Sales Tax demand for the F.Y. 1995-96	0.03	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Entry Tax demand for the F.Y.1995-96	0.10	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Entry Tax demand for the F.Y.1995-96	3.02	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Sales Tax demand for the F.Y.1995-96	0.05	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Entry Tax demand for the F.Y.1996-97	0.82	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
Central Sales Tax Act, 1956	Demand of Central Sales Tax for the F.Y.1997-98	12.68	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
C.G. Commercial Tax Act, 1994	Demand of Sales Tax for the A.Y.1997-98	4.56	Dy. Commissioner, Commercial Taxes, Appeals, Raipur

Name of the Statute	Nature of Dues	Amount Rs. In Laacs	Forum where dispute is pending
C.G. Commercial Tax Act, 1994	Demand of Entry Tax for the A.Y.1997-98	0.03	Dy. Commissioner, Commercial Taxes, Appeals, Raipur
Income Tax Act, 1961	Income Tax demand for the A.Y.1996-97	1.03	Astt. Commissioner of Income Tax, Raipur
Central Excise Rule, 1944	Demand raised by Excise Authorities on accounts of CENVAT Credit availed on lancing pipes for the F.Y.1994-95.	0.22	High Court of Chhattisgarh State

- (x) The company has no accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
- (xii) We are of the opinion that the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a *nidhi*/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, the terms & conditions on which the company has given corporate guarantees to the Banks to secure the loans granted by such banks for other companies are not prejudicial to the interest of the company.
- (xvi) The company has not raised any term loan during the financial year under report, therefore, the provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to the companies and parties covered in the register maintained u/s 301 of the Companies Act, 1956. In our opinion, the price at which shares

